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Federal Communications Commission
Office of Secretary

February 7, 1997

VIA COURIER

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

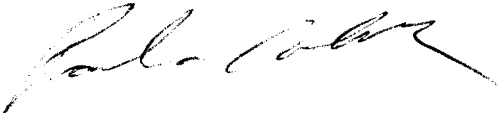
Re: Comments of Telco Communications Group, Inc. on Southwestern Bell's CEI
Plan CC Docket No. 96-128

Dear Mr. Caton:

Enclosed for filing please find an original and four (4) copies of the Comments of Telco Communications Group, Inc. on Southwestern Bell's CEI Plan, CC Docket No. 96-128. Also enclosed is an extra copy to be stamped and returned.

Please direct any questions you may have regarding this filing to the undersigned of this office.

Respectfully submitted,



Dana Frix
Pamela Arluk

Its Counsel

cc: Attached Service List
Natalie Marine-Street

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Before the
Federal Communications Commission
Washington, D.C. 20554

Federal Communications Commission
Office of Secretary

In the Matter of)	
)	
Implementation of the Pay Telephone)	CC Docket No. 96-128
Reclassification and Compensation)	
Provisions of the Telecommunications)	
Act of 1996)	
)	
The Southwestern Bell Telephone Company's)	
Comparably Efficient Interconnection Plan)	
for the Provision of Basic Payphone Service)	

**COMMENTS OF TELCO COMMUNICATIONS GROUP, INC. ON
SOUTHWESTERN BELL'S CEI PLAN**

Pursuant to the Commission's January 8, 1997 Public Notice in the above-referenced proceeding, Telco Communications Group and its subsidiaries (including Long Distance Wholesale Club, Inc. and its Dial & Save subsidiaries, collectively "Telco") hereby submit these comments on Southwestern Bell's comparably efficient interconnection ("CEI") plan for payphone service providers, which was required by the Commission's Payphone Order.¹

Telco is an interexchange carrier that derives the bulk of its revenue through casual calling, and has been ordered by the FCC to compensate payphone service providers during the interim compensation period specified in the Payphone Order. Telco's comments illustrate that Southwestern

¹ Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128, *Report and Order*, (rel. Sept 20, 1996) ("Payphone Order"), *Order on Reconsideration* (rel. Nov. 8, 1996) ("Reconsideration Order")

Bell's CEI plan should be rejected as unacceptably vague and that the Commission should prohibit Southwestern Bell and other RBOCs from participating in the interim compensation scheme.

I. Southwestern Bell's CEI Plan Lacks the Detail and Specificity Required by the Commission's Payphone Order

The Payphone Order outlines elements required to be included in the RBOCs' CEI plans.² The Commission required each RBOC to describe how it intends to comply with the CEI "equal access" parameters for the specific payphone service it intends to offer.³ In addition, the CEI plan must explain how it will unbundle basic payphone service.⁴ Southwestern Bell's CEI plan is insufficient to satisfy these two elements because it lacks any specificity, merely stating that it will comply with the requirements, rather than explaining how it will comply.

For example, in complying with the CEI equal access parameter, Southwestern Bell must explain how it intends to provide: interface functionality; unbundling of basic services; resale; technical characteristics; installation; maintenance and repair; end user access; CEI availability; minimization of transport costs; and availability to all interested customers or enhanced service providers.⁵ Egregiously, rather than explaining how it intends to provide interface functionality, Southwestern Bell fails to provide any technical details as to how PSPs will connect to the network interfaces.⁶ Similarly, Southwestern Bell's CEI plan provides no details on how it intends to resell

² Payphone Order at ¶¶ 203-207.

³ Payphone Order at ¶ 203.

⁴ Payphone Order at ¶ 204.

⁵ Payphone Order at ¶ 203.

⁶ Southwestern Bell CEI Plan at 8.

its services, just that its “payphone service operations will subscribe to the underlying basic services at tariffed rates.”⁷ This description is too conclusory and vague to allow the Commission to understand exactly how Southwestern Bell will comply with this requirement.

Moreover, Southwestern Bell’s description of how it will provide installation, maintenance and repair is unacceptably vague.⁸ Southwestern Bell states that service ordering, installation, maintenance and repair utilized by Southwestern Bell’s payphone service operations will be performed in the same manner as they are for basic services purchased by unaffiliated payphone service providers. However, Southwestern Bell gives no further explanation as to the procedures that will be utilized to perform installation, maintenance and repair. Southwestern Bell gives no details as to how maintenance will be performed or how installation orders will be processed.

Another area in which Southwestern Bell’s plan is deficient is in how it intends to ensure that technical characteristics are nondiscriminatory. Southwestern Bell is required to offer unaffiliated PSPs basic services with technical characteristics that are equal to those of the basic services it utilizes for its own payphone service operations. Although Southwestern Bell assures the Commission that the technical characteristics will be the same, it does not provide any details for the Commission to determine that there will be no discrimination between affiliated and unaffiliated PSPs.⁹

The Commission must require Southwestern Bell to amend its plan to provide significantly greater specificity on all of the above issues. The Commission must not blindly accept vague representations that Southwestern Bell will comply with all of the required elements. The history of

⁷ Southwestern Bell CEI Plan at 10.

⁸ Southwestern Bell CEI Plan at 11-12.

⁹ Southwestern Bell CEI Plan at 11.

discrimination in the payphone industry warrants a meaningful evaluation of the CEI plan to ensure that Southwestern Bell will indeed provide payphone services in a nondiscriminatory manner and consistent with other Computer III and Open Network Architecture ("ONA") requirements.

II. The Commission Should Prohibit Southwestern Bell and Other RBOCs from Participating in the Interim Compensation Scheme

Apart from the numerous deficiencies in Southwestern Bell's CEI plan, the Commission should refrain from allowing Southwestern Bell or any RBOC to participate in the interim compensation scheme outlined in the Payphone Order. The Payphone Order provides that independent payphone owners are to receive \$45.85 per payphone per month and requires interexchange carriers with 1995 revenues in excess of \$100 Million to compensate payphone providers based on a percentage of their overall toll revenues.¹⁰ In its Reconsideration Order, the Commission implied that LECs might be eligible to receive this compensation upon elimination of subsidies and reclassification of payphone assets.¹¹ In formulating this interim compensation scheme, however, the Commission failed to account for whether toll revenues have any relationship to a carrier's use of payphones. Thus, Telco (and possibly other interexchange carriers) is placed in a position of being required to compensate payphone providers during the interim period at a level much higher than (and unrelated to) its actual payphone use.

Telco derives the vast majority of its revenues through casual calling, which requires customers to dial one of Telco's five-digit carrier identification codes prior to placing direct dial

¹⁰ Payphone Order at ¶ 125.

¹¹ Reconsideration Order at ¶ 131.

long distance calls. To enable Telco to track and bill customers for direct dialed calls placed through these codes, when ordering originating access circuits from the LEC, Telco instructs the LEC to prohibit direct dialed 1+ or 0+ calls from payphones. It is, therefore, impossible for most customers to reach Telco's network through any payphone for direct dialed calls. In addition, Telco does not heavily market other services that allow dial-around calls to be made from payphones, such as 800 services or calling card services. Consequently, Telco receives an extraordinarily small percentage of calls from payphones, compared to carriers like MCI and AT&T which market heavily to the dial-around market. For example, during the month of November 1996, Telco received approximately 16,777 calls from *all* payphones, including both LEC-owned payphones and independent payphones, out of a total of more than 29 million calls using Telco's network --amounting to 0.057% (5 one-hundredths of one percent) of all calls received.¹²

The Payphone Order, however, requires Telco to pay payphone providers a flat rate of \$0.1467954 per payphone during this interim compensation period, regardless of whether Telco's use of payphone services warrant such compensation.¹³ To illustrate the inequity of the current situation, when Telco's flat rate of \$0.1467954 is multiplied by the approximately 350,000 independent payphones, Telco will be required to pay independent payphone providers approximately \$51,378.39 per month. However, when the number of *all* payphone calls (both

¹² This information was obtained by screening all November 1996 traffic on Information Digit "27," which is the industry standard to identify a call originating from a coin line.

¹³ See Payphone Order at Appendix F.

LEC-owned and independent) Telco received in November is multiplied by \$0.35, Telco's obligation would be only approximately \$5,871.95. Accordingly, Telco is already paying over \$45,000 a month more than it should be paying considering its extremely limited use of payphone services.

Including the LEC-owned payphones in this compensation scheme would further exacerbate the already unfair burden being placed on Telco. If the Commission allowed LEC-owned payphones to be compensated \$45.85 per month at the current interim compensation rate, Telco would be required to pay approximately an additional \$220,193.10 per month to compensate the 1.5 million LEC-owned payphones. Telco would, therefore, be compensating payphone owners \$271,571.49 a month. Divided by the 16,777 calls Telco received in November 1996, this means that Telco would pay more than \$16.00 per call received from a pay telephone. As noted above, if Telco was only required to compensate payphone providers based on the number of calls it receives, instead of a percentage of its toll revenues, Telco would only pay approximately \$5,871.95 per month, instead of \$271,571.49 a month -- a difference of over \$1.5 million for the period between April 15, 1997 and November 1, 1997.

This would result in a patently irrational and unconscionable scheme in which Telco would be compensating payphone owners thousands of times over for the amount of services it is actually using. Such a scheme plainly would be contrary to the public interest and would violate the underlying intent of the Telecommunications Act of 1996 requiring "fair" compensation for payphone providers. Pursuant to the Payphone Order, in November 1997, the interim

compensation method will be replaced by a per-call method¹⁴ in which carriers will pay payphone owners based on the number of calls they receive, rather than a portion of their toll revenues which, as illustrated by Telco, bear no reasonable relation to the number of payphone calls the carrier actually receives. Accordingly, RBOCs such as Southwestern Bell should not be permitted to participate in the flat rate compensation scheme that already imposes an unfair burden on carriers such as Telco to compensate for payphone calls that are simply not being made.

¹⁴ Payphone Order at ¶ 99.

CONCLUSION

The Commission should reject Southwestern Bell's CEI plan as failing to provide sufficient specificity as to how it will comply with the elements required to provide payphone services in a nondiscriminatory manner and consistent with Computer III and ONA requirements. Southwestern Bell must be required to refile its plan with greater detail and specificity. Moreover, the Commission should prohibit Southwestern Bell and other RBOCs from participating in the interim compensation scheme specified by the Payphone Order as being contrary to the public interest and in violation of the underlying intent of the Telecommunications Act of 1996.

Respectfully submitted,



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Counsel for Telco Communications
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February 7, 1997

CERTIFICATE OF SERVICE

I, Jeannine Allen, hereby certify that on this 7th day of February, 1997, copies of the foregoing **Comments of Telco Communications Group, Inc. on Southwestern Bell Telephone Company's CEI Plan, CC Docket No. 96-128**, were served on the following parties via first-class mail, postage prepaid (indicated by asterisk), or via hand-delivery.

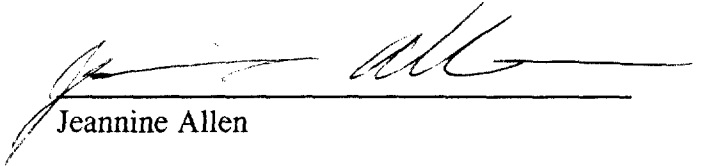
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